

Message Text

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C O N F I D E N T I A L BANGKOK 15493

LIMDIS

FOR DEPUTY SECRETARY INGERSOLL

FOR ASSISTANT SECRETARY HABIB

FOR ASSISTANT SECRETARY ENDERS

WHITE HOUSE FOR PETER FLANAGAN, CIEP

E.O. 11652: GDS

TAGS: EAIR, TH

SUBJECT: CIVAIR: UPCOMING USG-RTG CONSULTATIONS

REF: A. BANGKOK 15096; B. BANGKOK 12575; C. STATE 199671;
D. BANGKOK 12707; E. BANGKOK 11099; F. BANGKOK 14723; G. BANGKOK
14803; H. STATE 155420

1. MEMBERS OF MY STAFF HAVE THIS WEEK CONCLUDED A SERIES OF FRANK TALKS WITH THAI GOVERNMENT OFFICIALS AS WELL AS U.S. AND THAI AIRLINE OFFICIALS IN PREPARATION FOR RESUMPTION OF USG-RTG CIVIL AVIATION CONSULTATIONS HERE OCT 28. INASMUCH AS I CONSIDER THE OUTCOME OF THE TALKS MAY NOT ONLY DETERMINE WHETHER U.S. AIRLINES WILL BE ABLE TO CONTINUE OPERATING TO AND THROUGH BANGKOK, BUT ALSO HAVE AN IMPORTANT BEARING ON THE DIRECTION AND TEMPER OF OVERALL U.S.- THAI RELATIONS (REF B), I WISH TO MAKE CERTAIN THAT, AT A MINIMUM, THE TALKS CONCLUDE AMICABLY. THE PROSPECTS TO DATE ARE NOT
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GOOD, GIVEN THE RTG ATTITUDE TOWARD U.S. PROPOSALS MADE

IN JUNE TALKS.

2. IT WILL BE RECALLED THAT THE ROUND OF EXPLORATORY TALKS IN JUNE ENDED JUST SHORT OF A RUPTURE OF U.S.-THAI CIVIL AVIATION RELATIONS. SUBSEQUENTLY, THE RTG, PIQUED AT OUR DELAY IN RESPONDING TO AN AUG 5 RTG SUGGESTION THAT THE TALKS RESUME IN EARLY SEPTEMBER, ON SEPT 12 FORCED PAN AMERICAN TO CEASE OPERATING THE BANGKOK-HONG KONG SECTOR OF A BANGKOK-SAN FRANCISCO SERVICE VIA HONG KONG, GUAM AND HONOLULU (PAA841/842 - REF G). RTG OFFICIALS HAVE MADE IT UNMISTAKABLY CLEAR THAT THIS ACTION IS TO BE INTERPRETED AS A SIGNAL OF RTG DISSATISFACTION WITH DEVELOPMENTS TO DATE. IT IS THE CONCLUSION OF MY STAFF, AS WELL AS OF THE U.S. AIRLINE STATION MANAGERS HERE, THAT UNLESS THE MINIMUM RTG ROUTE ASPIRATIONS ARE SATISFIED IN THE UPCOMING CONSULTATIONS, THE RTG WILL ON CONCLUSION OF THE TALKS: (1) DENOUNCE THE USG-RTG BILATERAL AIR SERVICES AGREEMENT; AND (2) IMPOSE SEVERE CUTS ON, AND POSSIBLY TERMINATE, U.S. AIRLINE OPERATIONS TO AND THROUGH BANGKOK. OBVIOUSLY, OUR AIRLINES WOULD CONSIDER OUTCOME (2) ABOVE UNACCEPTABLE, AS WOULD WE. I WOULD CONSIDER DENUNCIATION ALONE EQUALLY UNACCEPTABLE, IN COMMERCIAL TERMS AS WELL AS IN TERMS OF POTENTIAL EFFECT ON OUR IMPORTANT STRATEGIC INTERESTS HERE. THEREFORE, I REQUEST THAT THE INSTRUCTIONS TO THE U.S. DELEGATION TO THE OCT 28 CONSULTATIONS STIPULATE THAT THE DELEGATION MUST DO ALL WITHIN REASON TO AVOID DENUNCIATION OF THE BILATERAL AGREEMENT BY THE RTG.

3. IN REGARD TO THAI OBJECTIVES, I BELIEVE THE MINIMUM CONDITIONS ON WHICH THE RTG MAY RPT MAY BE WILLING TO MAINTAIN THE STATUS QUO FOR U.S. AIRLINES ARE: (1) RETENTION OF EXISTING ROUTE RIGHTS INCLUDING NEW YORK, PLUS; (2) ACCESS TO GUAM AND BEYOND TO (A) TOKYO, AND (B) AMERICAN SAMOA. THIS ESTIMATE MAY BE TOO LOW, BUT I AM CERTAIN THAT FAILURE TO OFFER ANYTHING LESS WILL MEAN CERTAIN FAILURE OF THE TALKS, WITH DENUNCIATION THE RESULT. THE ONLY DEPARTURE I CAN ENVISION FROM THE FOREGOING POSITION (AND THIS IS PURE GUESSWORK) WOULD BE AN OFFER OF ACCESS TO GUAM AND BEYOND TO TOKYO AND AMERICAN SAMOA WITH LIMITS OF FREQUENCIES AND/OR CAPACITY, IN THE MANNER IN WHICH THE

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RTG IMPOSES QUOTAS ON U.S. AIRLINES OPERATIONS HERE.

4. I AM, OF COURSE, AWARE OF THE PRECARIOUS FINANCIAL SITUATION OF U.S. AIRLINES IN INTERNATIONAL OPERATIONS, PARTICULARLY PAN AMERICAN, AND IT GOES WITHOUT SAYING THAT THIS MISSION SUPPORTS THE ADMINISTRATION'S SPECIAL EFFORTS TO IMPROVE THE EARNINGS OF U.S. AIRLINES. BUT IT SEEMS TO ME THAT THE HANDLING OF THE RTG'S CIVIL ASPIRATIONS

UP TO THIS POINT---WHICH HAS ALREADY RESULTED IN THE RTG'S SEVERING OF ONE PAN AMERICAN SERVICE, AND, IN MY VIEW, PLACED AT RISK OUR ENTIRE CIVIL AIR STAKE IN THE US-THAILAND MARKET WHERE IN 1973 OUR AIRLINES EARNED ALMOST \$39 MILLION AS CONTRASTED WITH LESS THAN \$4 MILLION FOR THE THAI AIRLINES---IS NOT WELL CALCULATED TO IMPROVE U.S. AIRLINE REVENUES.

5. IN THAT REGARD, IN ALL THE TELEGRAMS EXCHANGED BETWEEN THE EMBASSY AND THE DEPARTMENT ON THIS SUBJECT OVER A PERIOD OF SIX MONTHS, I HAVE NOT SEEN A SINGLE SUGGESTION THAT A USG GRANT OF THE ROUTE REQUESTS TABLED BY THE RTG WOULD ERODE THE REVENUES OF U.S. AIRLINES. (THAI AIRLINE RIGHTS AT GUAM AND BEYOND TO TOKYO WOULD, OF COURSE, BE COMPETITIVE WITH PAA SERVICES ON THAT ROUTE.) ON THE CONTRARY, IT WAS THE CONSIDERED JUDGMENT OF THE TECHNICIANS ON CONCLUSION OF THE TALKS IN JUNE THAT THE MAIN ROADBLOCK TO AN AMICABLE AND MUTUALLY PROFITABLE SETTLEMENT OF USG-RTG CIVAIR PROBLEMS AT THAT TIME WAS "RELATED TO THE PRECEDENTIAL ASPECTS OF FURTHER GRANTS TO THAILAND WHEN THERE IS LITTLE THEORETICAL JUSTIFICATION." (REF H.) IF MY UNDERSTANDING IS CORRECT THAT MOST-FAVORED-NATION ARGUMENTS ARE FREQUENTLY ADVANCED BY FOREIGN DELEGATIONS IN U.S. CIVAIR CONSULTATIONS, AND REGULARLY REJECTED BY U.S. DELEGATIONS AS NOT RELEVANT IN BILATERAL CIVAIR RELATIONSHIPS, THEN I DO NOT CONSIDER "PRECEDENTIAL" GROUNDS AS ADEQUATE BASIS ON WHICH TO RISK (1) THE CONTINUED ABILITY OF OUR AIRLINES TO OPERATE HERE, AND (2) AN UNNECESSARY ADDITIONAL IRRITANT IN U.S.-THAI RELATIONS.

6. HOPEFULLY THE U.S. DELEGATION CAN GO INTO THE FORTH-COMING TALKS WITH A POSITION WHICH WILL PERMIT US TO SERVE
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U.S. AIRLINE COMMERCIAL INTERESTS AS WELL AS U.S. NATIONAL INTERESTS. IF SO, I THINK WE CAN LOOK FORWARD TO A MUTUALLY SATISFACTORY SOLUTION, AS PART OF WHICH WE SHOULD SEEK TO EXTRACT SOMETHING FROM THE RTG IN REGARD TO: (1) REMOVAL OF CAPACITY AND ROUTE RESTRAINTS (A LA PAA 841/842) ON U.S. AIRLINES; (2) POLICING ALLEGED WIDESPREAD DIS-COUNTING OF PASSENGER FARES TO THE U.S. BY THAI AND OTHER FOREIGN AIRLINES HERE; AND (3) IMPROVED AIRCRAFT SECURITY MEASURES AT DON MUANG AIRPORT.

7. I WILL BE IN WASHINGTON NEXT WEEK, AND HOPE EACH OF YOU WILL BE ABLE TO FIND SOME TIME FOR ME TO DISCUSS THIS IMPORTANT PROBLEM WITH YOU.
KINTNER

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